

# Credits for Employers Affected by Hurricane Katrina, Rita, or Wilma

► Attach to your tax return.

OMB No. 1545-1978

Attachment  
Sequence No. **77A**

Identifying number

## SECTION A. Employee Retention Credit (see instructions)

<b>1a</b> Employers affected by Hurricane Katrina, enter the total qualified wages paid or incurred after August 28, 2005, and before January 1, 2006, while the business was inoperable . . . . .	<b>1a</b>														
<b>b</b> Employers affected by Hurricane Rita, enter the total qualified wages paid or incurred after September 23, 2005, and before January 1, 2006, while the business was inoperable . . . . .	<b>1b</b>														
<b>c</b> Employers affected by Hurricane Wilma, enter the total qualified wages paid or incurred after October 23, 2005, and before January 1, 2006, while the business was inoperable . . . . .	<b>1c</b>														
<b>d</b> Add amounts from lines 1a, 1b, and 1c . . . . .	<b>1d</b>														
<b>2</b> Enter 40% of line 1d. You <b>must</b> subtract this amount from your deduction for salaries and wages . . . . .				<b>2</b>											
<b>3</b> Employee retention credit(s) from pass-through entities:	<table border="1"> <tr> <td>If you are a—</td> <td>Then enter the total of the current year credits from—</td> </tr> <tr> <td><b>a</b> Shareholder . . .</td> <td>Schedule K-1 (Form 1120S), box 13, code F, G, or U</td> </tr> <tr> <td><b>b</b> Partner . . .</td> <td>Schedule K-1 (Form 1065), box 15, code F, G, or U</td> </tr> <tr> <td><b>c</b> Beneficiary . . .</td> <td>Schedule K-1 (Form 1041), box 13, code R</td> </tr> <tr> <td><b>d</b> Patron . . .</td> <td>Written statement from cooperative</td> </tr> </table>	If you are a—	Then enter the total of the current year credits from—	<b>a</b> Shareholder . . .	Schedule K-1 (Form 1120S), box 13, code F, G, or U	<b>b</b> Partner . . .	Schedule K-1 (Form 1065), box 15, code F, G, or U	<b>c</b> Beneficiary . . .	Schedule K-1 (Form 1041), box 13, code R	<b>d</b> Patron . . .	Written statement from cooperative			<b>3</b>	
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<b>d</b> Patron . . .	Written statement from cooperative														
<b>4</b> <b>Current year credit.</b> Add lines 2 and 3. Report this amount on Form 3800, line 1z. If you have a credit from Section B, see instructions. S corporations, partnerships, estates, trusts, cooperatives, regulated investment companies, and real estate investment trusts, see instructions . . . . .				<b>4</b>											

## SECTION B. Hurricane Katrina Housing Credit (see instructions)

<b>5</b> Enter the value (up to \$600 per month per employee) of qualified lodging furnished in-kind to qualified employees during the tax year from January 1, 2006, through July 1, 2006 (see instructions) . . . . .				<b>5</b>											
<b>6</b> Enter 30% of line 5. You <b>must</b> subtract this amount from your deduction for salaries and wages . . . . .				<b>6</b>											
<b>7</b> Hurricane Katrina housing credit(s) from pass-through entities:	<table border="1"> <tr> <td>If you are a—</td> <td>Then enter the total of the current year credits from—</td> </tr> <tr> <td><b>a</b> Shareholder . . .</td> <td>Schedule K-1 (Form 1120S), box 13, code F, G, or U</td> </tr> <tr> <td><b>b</b> Partner . . .</td> <td>Schedule K-1 (Form 1065), box 15, code F, G, or U</td> </tr> <tr> <td><b>c</b> Beneficiary . . .</td> <td>Schedule K-1 (Form 1041), box 13, code R</td> </tr> <tr> <td><b>d</b> Patron . . .</td> <td>Written statement from cooperative</td> </tr> </table>	If you are a—	Then enter the total of the current year credits from—	<b>a</b> Shareholder . . .	Schedule K-1 (Form 1120S), box 13, code F, G, or U	<b>b</b> Partner . . .	Schedule K-1 (Form 1065), box 15, code F, G, or U	<b>c</b> Beneficiary . . .	Schedule K-1 (Form 1041), box 13, code R	<b>d</b> Patron . . .	Written statement from cooperative			<b>7</b>	
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<b>d</b> Patron . . .	Written statement from cooperative														
<b>8</b> <b>Current year credit.</b> Add lines 6 and 7. Report this amount on Form 3800, line 1z. If you have a credit from Section A, see instructions. S corporations, partnerships, estates, trusts, cooperatives, regulated investment companies, and real estate investment trusts, see instructions . . . . .				<b>8</b>											

## Purpose of Form

An eligible employer who conducted an active trade or business in the Gulf Opportunity (GO) Zone, the Rita GO Zone, or the Wilma GO Zone (defined below) may claim the employee retention credit. The credit is equal to 40% of qualified wages for each eligible employee (up to a maximum of \$6,000 in qualified wages per employee). See *Employee Retention Credit* below. The employer must use Form 5884-A to figure the credit.

A qualified employer may also claim the Hurricane Katrina housing credit. This credit is equal to 30 percent of the value (up to \$600 per month, per employee) of in-kind lodging furnished to a qualified employee which is excluded from the employee's income. See *Employer Credit for Housing Employees Affected by Hurricane Katrina* below. The employer must use Form 5884-A to figure the credit.

The employee retention credit and the Hurricane Katrina housing credit are part of the general business credit claimed on Form 3800, *General Business Credit*. No portion of the unused business credit attributable to the Hurricane Katrina housing credit may be carried back to any tax year before 2005. However, you may be able to carry the unused portion forward. See the instructions for Form 3800 for details.

You can claim or elect not to claim the credits any time within 3 years from the due date of your tax return (excluding extensions) on either your original or an amended return.

## General Instructions

### Employee Retention Credit

#### Employers Affected by Hurricane Katrina

**Eligible employer.** For this purpose, an eligible employer is any employer who conducted an active trade or business on August 28, 2005, in the GO Zone, and whose trade or business was inoperable on any day after August 28, 2005, and before January 1, 2006, because of damage sustained from Hurricane Katrina.

**Eligible employee.** For this purpose, an eligible employee is an employee whose principal place of employment on August 28, 2005, with such eligible employer, was in the GO Zone.

**Caution.** *An employee is not an eligible employee for purposes of Hurricane Katrina if the employee is treated as an eligible employee for purposes of the work opportunity credit or for purposes of either the Hurricane Rita or the Hurricane Wilma employee retention credit.*

#### Employers Affected by Hurricane Rita

**Eligible employer.** For this purpose, an eligible employer is any employer who conducted an active trade or business on September 23, 2005, in the Rita GO Zone, and whose trade or business was inoperable on any day after September 23, 2005, and before January 1, 2006, because of damage sustained from Hurricane Rita.

**Eligible employee.** For this purpose, an eligible employee is an employee whose principal place of employment on September 23, 2005, with such eligible employer, was in the Rita GO Zone.

**Caution.** *An employee is not an eligible employee for purposes of Hurricane Rita if the employee is treated as an eligible employee for purposes of the work opportunity credit or for purposes of either the Hurricane Katrina or the Hurricane Wilma employee retention credit.*

#### Employers Affected by Hurricane Wilma

**Eligible employer.** For this purpose, an eligible employer is any employer who conducted an active trade or business on October 23, 2005, in the Wilma GO Zone, and whose trade or business was inoperable on any day after October 23, 2005, and before January 1, 2006, because of damage sustained from Hurricane Wilma.

**Eligible employee.** For this purpose, an eligible employee is an employee whose principal place of employment on October 23, 2005, with such eligible employer, was in the Wilma GO Zone.

**Caution.** *An employee is not an eligible employee for purposes of Hurricane Wilma if the employee is treated as an eligible employee for purposes of the work opportunity credit or for purposes of either the Hurricane Katrina or the Hurricane Rita employee retention credit.*

## GO Zones

Areas in a "GO Zone" are areas determined by the President to warrant individual or individual and public assistance, from the federal government because of Hurricane Katrina, Rita, or Wilma.

#### Hurricane Katrina GO Zone

*The following counties and parishes are in the Hurricane Katrina GO Zone.*

**Alabama.** Baldwin, Choctaw, Clarke, Greene, Hale, Marengo, Mobile, Pickens, Sumter, Tuscaloosa, and Washington counties.

**Louisiana.** Acadia, Ascension, Assumption, Calcasieu, Cameron, East Baton Rouge, East Feliciana, Iberia, Iberville, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Orleans, Plaquemines, Pointe Coupee, St. Bernard, St. Charles, St. Helena, St. James, St. John the Baptist, St. Martin, St. Mary, St. Tammany, Tangipahoa, Terrebonne, Vermilion, Washington, West Baton Rouge, and West Feliciana.

**Mississippi.** Adams, Amite, Attala, Choctaw, Claiborne, Clarke, Copiah, Covington, Forrest, Franklin, George, Greene, Hancock, Harrison, Hinds, Holmes, Humphreys, Jackson, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lamar, Lauderdale, Lawrence, Leake, Lincoln, Lowndes, Madison, Marion, Neshoba, Newton, Noxubee, Oktibbeha, Pearl River, Perry, Pike, Rankin, Scott, Simpson, Smith, Stone, Walthall, Warren, Wayne, Wilkinson, Winston, and Yazoo.

**Rita GO Zone**

*The following counties and parishes are in the Rita GO Zone.*

**Louisiana.** Acadia, Allen, Ascension, Beauregard, Calcasieu, Cameron, Evangeline, Iberia, Jefferson, Jefferson Davis, Lafayette, Lafourche, Livingston, Plaquemines, Sabine, St. Landry, St. Martin, St. Mary, St. Tammany, Terrebonne, Vermilion, Vernon, and West Baton Rouge.

**Texas.** Angelina, Brazoria, Chambers, Fort Bend, Galveston, Hardin, Harris, Jasper, Jefferson, Liberty, Montgomery, Nacogdoches, Newton, Orange, Polk, Sabine, San Augustine, San Jacinto, Shelby, Trinity, Tyler, and Walker.

**Wilma GO Zone**

*The following counties are in the Wilma GO Zone.*

**Florida.** Brevard, Broward, Collier, Glades, Hendry, Indian River, Lee, Martin, Miami-Dade, Monroe, Okeechobee, Palm Beach, and St. Lucie.

**Employer Credit for Housing Employees Affected by Hurricane Katrina**

For purposes of the Hurricane Katrina housing credit, the following apply.

**Qualified employer.** A qualified employer is any employer with a trade or business located in the GO Zone that was affected by Hurricane Katrina.

**Qualified employee.** A qualified employee is an individual who had a principal residence in the GO Zone on August 28, 2005, and who performs substantially all employment services in the GO Zone for the qualified employer. The employee cannot be related to you.

**Qualified lodging.** Qualified lodging is lodging furnished in-kind to a qualified employee (and to the employee's spouse or dependents) by or on behalf of the qualified employer from January 1, 2006, through July 1, 2006. Qualified lodging is excluded from the employee's income. However, the amount excluded is treated as wages for purposes of FICA and FUTA tax.

**Specific Instructions**

Use Section A to figure the employee retention credit. Use Section B to figure the Hurricane Katrina housing credit.

**Section A. Employee Retention Credit**

**Qualified Wages.** Qualified wages are wages you paid to or incurred for eligible employees on any day after August 28, 2005, in the case of Hurricane Katrina (after September 23, 2005, in the case of Hurricane Rita, and after October 23, 2005, in the case of Hurricane Wilma) and before January 1, 2006, during the period beginning on the date your trade or business first became inoperable at the employee's principal place of employment immediately before the applicable hurricane, and ending on the date your trade or business resumed significant operations at that place.

The amount of qualified wages that may be taken into account is limited to \$6,000 per employee. This includes wages paid whether the employee performs no services, performs services at a place of employment other than the principal place of employment, or performs services at the principal place of employment before significant operations have resumed.

Wages qualifying for the credit generally have the same meaning as wages subject to the Federal Unemployment Tax Act (FUTA). Qualified wages also include amounts you paid for medical or hospitalization expense in connection with sickness or accident disability. Qualified wages do not include wages paid to your dependent or wages paid to an employee related to you.

For agricultural employees, if the work performed by any employee during more than half of any pay period qualifies under FUTA as agricultural labor, the first \$6,000 of that employee's wages subject to social security and Medicare taxes are qualified wages.

Qualified wages for any employee must be reduced by the amount of any work supplementation payment you received under the Social Security Act for the employee.

**Special instructions for controlled group members.**

The group member contributing the highest dollar amount of qualified wages figures the group credit. See sections 52(a) and 1563. On separate Forms 5884-A, that member and every other member of the group should skip line 1 and enter its share of the group credit on line 2. Each member then completes lines 3 and 4 on its separate form, and Form 3800. Each member must attach to its Form 5884-A a schedule showing how the group credit was divided among all the members. The members share the credit in the same proportion that they contribute qualifying wages.

**Line 1**

Enter the total qualified wages (defined above) paid or incurred. Do not enter more than \$6,000 for each qualified employee.

**Line 2**

In general, you must reduce your deduction for salaries and wages by the amount on line 2. You must make this reduction even if you cannot take the full credit this year because of the tax liability limit on Form 3800. If you capitalized any costs on which you figured the credit, reduce the amount capitalized by the amount of the credit attributable to these costs.

**Line 3**

Enter the amount of credit allocated to you as a shareholder, beneficiary, partner, or patron of a cooperative.

**Line 4**

Report the current year credit on line 1z of Form 3800, except for the entities that report as indicated below. If you also have a Hurricane Katrina housing credit from line 8, combine that amount with the amount on line 4 and enter the total on line 1z of Form 3800.

**S corporations and partnerships.** Allocate the credit on line 4 to the shareholders or partners. Attach Form 5884-A to the return and on Schedule K-1 show the credit for each shareholder or partner. Electing large partnerships include this credit in "general credits."

**Estates and trusts.** Allocate the credit on line 4 between the estate or trust and beneficiaries in proportion to the income allocable to each. On the dotted line next to line 4, the estate or trust should enter its part of the total credit. Label it "1041 Portion" and use this amount on Form 3800 to figure the credit to claim on Form 1041.

**Cooperatives.** Most tax-exempt organizations cannot take the credit. However, a cooperative described in section 1381(a) takes the credit to the extent it has tax liability.

**Regulated investment companies and real estate investment trusts.** Reduce the allowable credit to the company's or trust's ratable share of the credit.

## Section B. Hurricane Katrina Housing Credit

### Special instructions for controlled group members.

The group member contributing the highest dollar amount of qualified lodging figures the group credit. See sections 52(a) and 1563. On separate Forms 5884-A, that member and every other member of the group should skip line 5 and enter its share of the group credit on line 6. Each member then completes lines 7 and 8 on its separate form, and Form 3800. Each member must attach to its Form 5884-A a schedule showing how the group credit was divided among all the members. The members share the credit in the same proportion that they contributed qualified lodging.

### Line 5

Enter the value of qualified lodging furnished in-kind to qualified employees between January 1, 2006, and July 1, 2006. Do not enter more than \$600 per month, per employee.

### Line 7

Enter the amount of credit allocated to you as a shareholder, beneficiary, partner, or patron of a cooperative.

### Line 8

Report the current year credit on line 1z of Form 3800, except for the entities that report as indicated below. If you also have an employee retention credit on line 4, combine that amount with the amount on line 8 and enter the total on line 1z of Form 3800.

**S corporations and partnerships.** Allocate the credit on line 8 to the shareholders or partners. Attach Form 5884-A to the return and on Schedule K-1 show the credit for each shareholder or partner. Electing large partnerships include this credit in "general credits."

**Estates and trusts.** Allocate the credit on line 8 between the estate or trust and beneficiaries in proportion to the income allocable to each. On the dotted line next to line 8, the estate or trust should enter its part of the total credit. Label it "1041 Portion" and use this amount on Form 3800 to figure the credit to claim on Form 1041.

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**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

**Recordkeeping** . . . . . 3 hr., 6 min.

**Learning about the law or the form** . . . . . 24 min.

**Preparing and sending the form to the IRS** . . . . . 27 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

